

DANVILLE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS
JUNE 30, 2014

DANVILLE COMMUNITY SCHOOL DISTRICT
Table of Contents
June 30, 2014

Officials	<u>Page</u> 1
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-14
Basic Financial Statements	<u>Exhibit</u>
Government-wide Financial Statements	
Statement of Net Position	A 16-17
Statement of Activities	B 18-19
Governmental Fund Financial Statements	
Balance Sheet	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 24
Proprietary Fund Financial Statements	
Statement of Net Position	G 25
Statement of Revenues, Expenses and Changes in Net Position	H 26
Statement of Cash Flows	I 27
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position	J 28
Statement of Changes in Fiduciary Net Position	K 29
Notes to Financial Statements	30-43
Required Supplementary Information	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	45
Notes to Required Supplementary Information - Budgetary Reporting	46
Schedule of Funding Progress for the Retiree Health Plan	47

DANVILLE COMMUNITY SCHOOL DISTRICT

Table of Contents

June 30, 2014

Supplementary Information	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds		
Combining Balance Sheet	1	49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50
Nonmajor Proprietary Funds		
Combining Statement of Net Position	3	51
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	4	52
Combining Statement of Cash Flows	5	53
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	54-55
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	56
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		57-58
Schedule of Findings		59-62
Audit Staff		63

DANVILLE COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Sandra Dockendorff	Board President	2013
Matt Parrott	Board Member	2013
Allan Luers	Board Member	2015
Brian Bauer	Board Member	2015
Scott Becker	Board Member	2015
(After September 2013 Election)		
Sandra Dockendorff	Board President	2017
Allan Luers	Board Member	2015
Brian Bauer	Board Member	2015
Scott Becker	Board Member	2015
Andy Grothe	Board Member	2017
School Officials		
Gary DeLacy	Superintendent	2014
Christa Seibert	Board Secretary/Treasurer	2014
Lane & Waterman LLP	Attorney	Indefinite

Kay L. Chapman, CPA PC

116 Harrison Street
Muscatine, Iowa 52761
563-264-1385
kchapman@cpakay.com

Independent Auditor's Report

To the Board of Education
Danville Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Danville Community School District, Danville, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Danville Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Danville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 11, 2015 on my consideration of Danville Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Danville Community School District's internal control over financial reporting and compliance.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 11, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Danville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,834,255 in fiscal 2013 to \$6,226,464 in fiscal 2014, and General Fund expenditures increased from \$5,599,350 in fiscal 2013 to \$5,869,852 in fiscal 2014. The District's General Fund balance increased from \$891,880 in fiscal 2013 to \$1,248,492 in fiscal 2014, a 40% increase.
- The increase in General Fund revenues was attributable the District receiving increased state sources and tuition. Revenues from federal sources decreased by 68% from fiscal year 2013. The increase in expenditures was due primarily the negotiated salary and benefits. The General Fund balance increase was the result of the increase in revenues being more than sufficient to cover the increase in expenditures for fiscal 2014.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased from 6.95% for fiscal 2013 to 11.20% for fiscal 2014. The State School Budget Review Committee recommends a solvency ratio between 5%-10%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Danville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Danville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Danville Community School District acts solely as a custodian for the benefit of those outside of District government.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor Governmental and Enterprise Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Danville Community School District Annual Financial Report

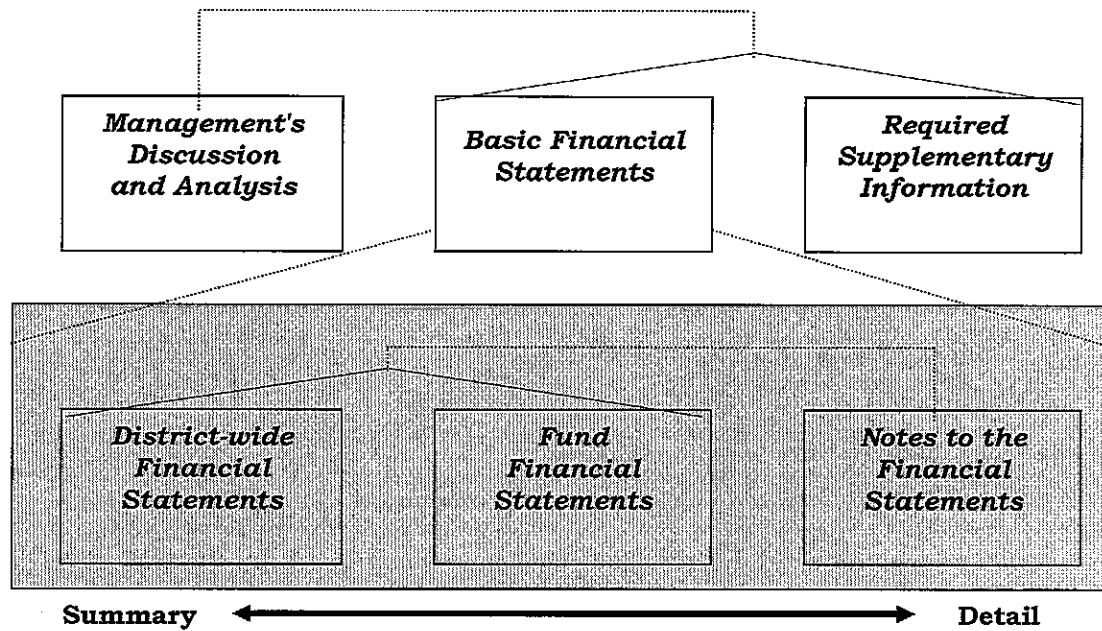


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool operation	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Preschool Fund.

The required financial statements for proprietary funds include a statement of net position a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Condensed Statement of Net Position						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Current and other assets	\$ 4,057,526	\$ 4,200,055	\$ 41,971	\$128,788	\$4,099,497	\$4,328,843	-5.30%
Capital assets	<u>8,415,459</u>	<u>8,111,028</u>	<u>131,670</u>	<u>157,916</u>	<u>8,547,129</u>	<u>8,268,944</u>	3.36%
Total assets	<u>12,472,985</u>	<u>12,311,083</u>	<u>173,641</u>	<u>286,704</u>	<u>12,646,626</u>	<u>12,597,787</u>	0.39%
Long-term liabilities	3,262,156	3,607,411	-	-	3,262,156	3,607,411	-9.57%
Other liabilities	<u>508,589</u>	<u>610,323</u>	<u>5,358</u>	<u>136</u>	<u>513,947</u>	<u>610,459</u>	-15.81%
Total liabilities	<u>3,770,745</u>	<u>4,217,734</u>	<u>5,358</u>	<u>136</u>	<u>3,776,103</u>	<u>4,217,870</u>	-10.47%
Deferred inflows of resources	<u>1,983,672</u>	<u>1,941,539</u>	-	-	<u>1,983,672</u>	<u>1,941,539</u>	2.17%
Net position							
Net investment in							
capital assets	5,315,459	4,716,031	131,670	157,916	5,447,129	4,873,947	11.76%
Restricted	355,398	758,448	-	-	355,398	758,448	-53.14%
Unrestricted	<u>1,047,711</u>	<u>677,331</u>	<u>36,613</u>	<u>128,652</u>	<u>1,084,324</u>	<u>805,983</u>	-34.53%
Total net position	<u>\$ 6,718,568</u>	<u>\$ 6,151,810</u>	<u>\$168,283</u>	<u>\$286,568</u>	<u>\$6,886,851</u>	<u>\$6,438,378</u>	6.97%

The District's combined net position increased by approximately 7%, or \$448,473 over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$403,050, or approximately 53% from the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$278,341, or approximately 35%.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

	Change in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 1,413,485	\$ 1,552,489	\$ 407,189	\$ 247,817	\$ 1,820,674	\$ 1,800,306	1.13%
Operating grants	969,785	1,536,550	162,967	152,253	1,132,752	1,688,803	-32.93%
General revenues							
Property tax	2,180,312	2,058,181	-	-	2,180,312	2,058,181	5.93%
Statewide sales, services and use tax	420,255	414,671	-	-	420,255	414,671	1.35%
Unrestricted state grants	2,245,600	2,073,599	-	-	2,245,600	2,073,599	8.29%
Contributions and donations	23,552	22,415	-	-	23,552	22,415	5.07%
Unrestricted investment earnings	3,911	8,520	401	645	4,312	9,165	-52.95%
Other	9,098	6,532	-	-	9,098	6,532	39.28%
Special item - gain (loss) on sale of assets	<u>16,858</u>	<u>(2,425)</u>	<u>-</u>	<u>-</u>	<u>16,858</u>	<u>(2,425)</u>	795.18%
Total revenues and special item	<u>7,282,856</u>	<u>7,670,532</u>	<u>570,557</u>	<u>400,715</u>	<u>7,853,413</u>	<u>8,071,247</u>	-2.70%
Program expenses							
Governmental activities							
Instruction	4,272,488	4,157,220	-	-	4,272,488	4,157,220	2.77%
Support services	1,831,250	1,688,380	-	-	1,831,250	1,688,380	8.46%
Non-instructional programs	2,611	-	688,842	452,000	691,453	452,000	52.98%
Other expenses	<u>609,749</u>	<u>493,225</u>	<u>-</u>	<u>-</u>	<u>609,749</u>	<u>493,225</u>	23.62%
Total expenses	<u>6,716,098</u>	<u>6,338,825</u>	<u>688,842</u>	<u>452,000</u>	<u>7,404,940</u>	<u>6,790,825</u>	9.04%
Change in net position	566,758	1,331,707	(118,285)	(51,285)	448,473	1,280,422	-64.97%
Net position beginning of year	<u>6,151,810</u>	<u>4,820,103</u>	<u>286,568</u>	<u>337,853</u>	<u>6,438,378</u>	<u>5,157,956</u>	24.82%
Net position end of year	<u>\$ 6,718,568</u>	<u>\$ 6,151,810</u>	<u>\$ 168,283</u>	<u>\$ 286,568</u>	<u>\$ 6,886,851</u>	<u>\$ 6,438,378</u>	6.97%

In fiscal 2014, property tax and unrestricted state grants account for 61% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost 100% of the revenue from business type activities.

The District's total revenues were \$7,853,413 of which \$7,282,856 was for governmental activities and \$570,557 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3% decrease in revenues and a 9% increase in expenses. The decrease in revenues was a result of completion of FEMA safe room grant and the increase in expenses was due to start-up costs of Early Childhood Center and completion of the FEMA project.

Governmental Activities

Revenues for governmental activities were \$7,282,856 and expenses were \$6,716,098 for the year ended June 30, 2014. The decrease in revenues was attributable the District completing the FEMA safe room grant. Total expenditures increased due to increase in salaries and benefits and start-up costs of the Early Childhood Center.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
			Change			Change
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Instruction	\$ 4,272,488	\$4,157,220	2.8%	\$ 2,321,625	\$1,279,711	81.4%
Support services	1,831,250	1,688,380	8.5%	1,585,810	1,653,772	-4.1%
Non-instructional programs	2,611	-	100.0%	2,611	-	100.0%
Other expenses	<u>609,749</u>	<u>493,225</u>	23.6%	<u>422,782</u>	<u>316,303</u>	33.7%
Total expenses	<u>\$ 6,716,098</u>	<u>\$6,338,825</u>	6.0%	<u>\$ 4,332,828</u>	<u>\$3,249,786</u>	33.3%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,413,485.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$969,785.
- The net cost of governmental activities was financed with \$2,600,567 in property and other taxes and \$2,245,600 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$570,557 representing a 43% increase over the prior year and expenses were \$688,842 a 53% increase over the prior year. The District's business type activities consist of the School Nutrition Fund and the Preschool/Daycare Fund, which was started in fiscal 2006. Revenues of these activities were comprised of charges for service, federal and state reimbursements, empowerment grant and investment income. The addition of the Early Childhood Center has increased revenue and expenditures. The cost of the meeting the requirements of the Hungry, Healthy Kids Act have increased food and labor costs for the Nutrition Fund.

INDIVIDUAL FUND ANALYSIS

As previously noted, Danville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,415,582, slightly below last year's ending fund balances of \$1,417,403.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of revenues being greater than expenditures.
- The General Fund balance increased from \$891,880 to \$1,248,492, due in part to increased local and state sources compared to fiscal year 2013.
- The Statewide Sales, Services and Use Tax balance decreased from \$355,414 to \$22,084 due to the district issuing revenue bonds to build a new preschool/daycare and a new bus barn facility has been completed.

Proprietary Fund Highlights

Enterprise Fund net position decreased from \$286,568 at June 30, 2013 to \$168,283 at June 30, 2014, representing a decrease of approximately 42%. Start-up costs for the Early Childhood Center along with increased expenditures in meeting the requirements of the Hungry, Healthy Kids Act, have led to this decrease.

BUDGETARY HIGHLIGHTS

Over the course of the year, Danville Community School District amended its annual budget one time by \$320,000 to account for increased for Total Other Expenditures.

The District's revenues were \$322,871 more than budgeted revenues, a variance of 5%. This is due primarily to increased local sources that were greater than the decreased in state and federal sources.

Total expenditures were \$364,541 less than budgeted, due primarily to the District's line item spending of less than budget authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$8,547,129, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents an increase of approximately 3% over last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$373,969.

The original cost of the District's capital assets was \$13,478,339. Governmental funds account for \$13,164,303 with the remainder of \$314,036 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress category totaled \$351,151 at June 30, 2014, compared to zero at June 30, 2013. This increase resulted from installing a new preschool/daycare playground, softball dugout and press box, playground play area/basketball court, and phase 1 and 2 of the bus barn.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Land	\$ 182,287	\$ 182,287	\$ -	\$ -	\$ 182,287	\$ 182,287	0.00%
Construction in progress	351,151	-	-	-	351,151	-	100.00%
Buildings and improvements	7,227,129	7,417,819	-	-	7,227,129	7,417,819	-2.57%
Improvements other than buildings	287,670	156,307	-	-	287,670	156,307	84.04%
Furniture and equipment	<u>367,222</u>	<u>354,615</u>	<u>131,670</u>	<u>157,916</u>	<u>498,892</u>	<u>512,531</u>	-2.66%
Totals	<u>\$ 8,415,459</u>	<u>\$ 8,111,028</u>	<u>\$131,670</u>	<u>\$ 157,916</u>	<u>\$ 8,547,129</u>	<u>\$8,268,944</u>	3.36%

Long-Term Debt

At June 30, 2014, the District had \$3,262,156 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 10% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$5.6 million.

Figure A-7
Outstanding Long-term Obligations

	Total		Total
	District		Change
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
General obligation bonds	\$ 390,000	\$ 585,000	-33.33%
Revenue bonds	2,710,000	2,810,000	-3.56%
Termination benefits	152,796	203,411	-24.88%
Net OPEB liability	<u>9,360</u>	<u>9,000</u>	4.00%
Total	<u>\$ 3,262,156</u>	<u>\$ 3,607,411</u>	-9.57%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District will negotiate a new agreement with the Danville Education Association during fiscal 2015. Settlements in excess of "new money" or supplemental state aid in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The 2014/2015 budget includes a cash reserve levy in the amount of \$482,324.
- Taxable valuation has increased and enrollment is stable.
- The District has ongoing needs for transportation vehicle replacements.
- The District will monitor the cost of implementing provisions in the Affordable Health Care Act.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christa Seibert, District Secretary/Treasurer and Business Manager, Danville Community School District, 419 South Main Street, Danville, Iowa, 52623.

Basic Financial Statements

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$1,632,592	\$ 31,952	\$1,664,544
Receivables			
Property tax			
Delinquent	13,919	-	13,919
Succeeding year	1,983,672	-	1,983,672
Accounts receivable	51	2,045	2,096
Income surtaxes	189,809	-	189,809
Due from other governments	237,483	654	238,137
Inventories	-	7,320	7,320
Non-depreciable capital assets	533,438	-	533,438
Capital assets, net of accumulated depreciation	7,882,021	131,670	8,013,691
Total assets	12,472,985	173,641	12,646,626
Liabilities			
Accounts payable	89,012	-	89,012
Salaries and benefits payable	376,254	5,358	381,612
Advances from grantors	3,197	-	3,197
Accrued interest payable	40,126	-	40,126
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	195,000	-	195,000
Revenue bonds payable	110,000	-	110,000
Termination benefits payable	50,352	-	50,352
Portion due after one year			
General obligation bonds payable	195,000	-	195,000
Revenue bonds payable	2,600,000	-	2,600,000
Termination benefits payable	102,444	-	102,444
Net OPEB liability	9,360	-	9,360
Total liabilities	3,770,745	5,358	3,776,103
Deferred Inflows of Resources			
Unavailable property tax revenue	1,983,672	-	1,983,672

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$5,315,459	\$ 131,670	\$5,447,129
Restricted for:			
Categorical funding	196,166	-	196,166
Student activities	126,857	-	126,857
School infrastructure	22,084	-	22,084
Physical plant and equipment	10,291	-	10,291
Unrestricted	<u>1,047,711</u>	<u>36,613</u>	<u>1,084,324</u>
Total net position	<u>\$6,718,568</u>	<u>\$ 168,283</u>	<u>\$6,886,851</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

Functions/Programs Governmental activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Total
Instruction						
Regular instruction	\$ 2,782,466	\$ 1,050,738	\$ 497,588	\$ -	\$ (1,234,140)	\$ (1,234,140)
Special instruction	588,009	149,278	31,998	-	(406,733)	(406,733)
Other instruction	902,013	213,469	7,792	-	(680,752)	(680,752)
	4,272,488	1,413,485	537,378	-	(2,321,625)	(2,321,625)
Support services						
Student	87,562	-	31,676	-	(55,886)	(55,886)
Instructional staff	150,966	-	-	-	(150,966)	(150,966)
Administration	695,440	-	-	-	(695,440)	(695,440)
Operation and maintenance of plant	533,993	-	213,311	-	(340,682)	(340,682)
Transportation	343,289	-	453	-	(342,836)	(342,836)
	1,831,250	-	245,440	-	(1,585,810)	(1,585,810)
	2,611	-	-	-	(2,611)	(2,611)
Non-instructional programs						
Other expenses						
Facilities acquisition	126,128	-	-	-	(126,128)	(126,128)
Long-term debt interest	83,556	-	-	-	(83,556)	(83,556)
AEA flowthrough	186,967	-	186,967	-	-	-
Depreciation (unallocated) *	213,098	-	-	-	(213,098)	(213,098)
	609,749	-	186,967	-	(422,782)	(422,782)
Total governmental activities	6,716,098	1,413,485	969,785	-	(4,332,828)	(4,332,828)

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Activities
Functions/Programs (continued)						
Business type activities						
Non-instructional programs						
Food service operations	\$ 396,446	\$ 234,002	\$ 132,967		\$ (29,477)	\$ (29,477)
Daycare and preschool program	292,396	173,187	30,000		(89,209)	(89,209)
Total business type activities	688,842	407,189	162,967		(118,686)	(118,686)
Total	\$ 7,404,940	\$ 1,820,674	\$ 1,132,752		(118,686)	(4,451,514)
General Revenues						
Property tax levied for						
General purposes						2,056,890
Debt service						86,594
Capital outlay						36,828
Statewide sales, services and use tax						420,255
Unrestricted state grants						2,245,600
Contributions and donations						23,552
Unrestricted investment earnings						4,312
Other						9,098
Special item - gain on disposal of capital assets						16,858
Total general revenues and special item						4,899,987
Change in net position						(118,285)
Net position beginning of year						448,473
Net position end of year						6,438,378
						\$ 6,886,851

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
 Governmental Funds
 June 30, 2014

		Capital Projects	Statewide Sales, Services and	Nonmajor Governmental	
	General	Use Tax	Funds	Total	
Assets					
Cash, cash equivalents and pooled investments	\$1,471,060	\$ -	\$ 161,532	\$1,632,592	
Receivables					
Property tax					
Delinquent	12,459	-	1,460	13,919	
Succeeding year	1,688,587	-	295,085	1,983,672	
Accounts receivable	51	-	-	51	
Income surtax	189,809	-	-	189,809	
Due from other governments	164,923	72,560	-	237,483	
Due from other fund	45,226	-	-	45,226	
Total assets	<u>\$3,572,115</u>	<u>\$ 72,560</u>	<u>\$458,077</u>	<u>\$4,102,752</u>	
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 65,776	\$ 5,250	\$ 17,986	\$ 89,012	
Salaries and benefits payable	376,254	-	-	376,254	
Advances from grantors	3,197	-	-	3,197	
Due to other funds	-	45,226	-	45,226	
Total liabilities	<u>445,227</u>	<u>50,476</u>	<u>17,986</u>	<u>513,689</u>	
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	1,688,587	-	295,085	1,983,672	
Income surtax	189,809	-	-	189,809	
Total deferred inflows of resources	<u>1,878,396</u>	<u>-</u>	<u>295,085</u>	<u>2,173,481</u>	
Fund balances					
Restricted for					
Categorical funding	196,166	-	-	196,166	
Student activities	-	-	126,857	126,857	
Management levy purposes	-	-	4,544	4,544	
School infrastructure	-	22,084	-	22,084	
Physical plant and equipment levy	-	-	10,291	10,291	
Debt service	-	-	3,314	3,314	
Unassigned	1,052,326	-	-	1,052,326	
Total fund balances	<u>1,248,492</u>	<u>22,084</u>	<u>145,006</u>	<u>1,415,582</u>	
Total liabilities, deferred inflows of resources and fund balances	<u>\$3,572,115</u>	<u>\$ 72,560</u>	<u>\$458,077</u>	<u>\$4,102,752</u>	

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2014

Exhibit D

Total fund balances of governmental funds	\$1,415,582
--	--------------------

**Amounts reported for governmental activities in the Statement of Net Position
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,415,459
---	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds	189,809
--	---------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(40,126)
--	----------

Long-term liabilities, including bonds and notes payable, termination benefits and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,262,156)</u>
---	--------------------

Net position of governmental activities	<u>\$6,718,568</u>
--	---------------------------

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

Exhibit E

		Capital Projects	Statewide Sales, Services and	Nonmajor Governmental	
Revenues	<u>General</u>	<u>Use Tax</u>	<u>Funds</u>	<u>Total</u>	
Local sources					
Local tax	\$1,901,630	\$ -	\$ 269,429	\$ 2,171,059	
Tuition	1,170,744	-		1,170,744	
Other	72,360	20,238	214,472	307,070	
State sources	2,902,129	445,349	174	3,347,652	
Federal sources	159,160	188,216	-	347,376	
Total revenues	<u>6,206,023</u>	<u>653,803</u>	<u>484,075</u>	<u>7,343,901</u>	
Expenditures					
Current					
Instruction					
Regular	2,724,357	-	66,498	2,790,855	
Special	586,562	-	-	586,562	
Other	692,299	-	209,974	902,273	
	<u>4,003,218</u>	<u>-</u>	<u>276,472</u>	<u>4,279,690</u>	
Support services					
Student	88,173	-	-	88,173	
Instructional staff	150,611	-	-	150,611	
Administration	650,757	9,600	37,442	697,799	
Operation and maintenance of plant	491,372	-	49,007	540,379	
Transportation	298,754	90,627	20,567	409,948	
	<u>1,679,667</u>	<u>100,227</u>	<u>107,016</u>	<u>1,886,910</u>	
Non-instructional programs	-	-	2,611	2,611	
Other expenditures					
Facilities acquisition	-	595,357	35,693	631,050	
Long-term debt					
Principal	-	-	295,000	295,000	
Interest and fiscal charges	-	-	84,285	84,285	
AEA flowthrough	186,967	-	-	186,967	
	<u>186,967</u>	<u>595,357</u>	<u>414,978</u>	<u>1,197,302</u>	
Total expenditures	<u>5,869,852</u>	<u>695,584</u>	<u>801,077</u>	<u>7,366,513</u>	

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

Exhibit E

	General	Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
Excess (deficiency) of revenues over (under) expenditures	\$ 336,171	\$ (41,781)	\$ (317,002)	\$ (22,612)
Other financing sources (uses)				
Sale of equipment and materials	20,441	350	-	20,791
Interfund operating transfers in	-	-	291,899	291,899
Interfund operating transfers (out)	-	(291,899)	-	(291,899)
Total other financing sources (uses)	<u>20,441</u>	<u>(291,549)</u>	<u>291,899</u>	<u>20,791</u>
Change in fund balances	356,612	(333,330)	(25,103)	(1,821)
Fund balance, beginning of year	<u>891,880</u>	<u>355,414</u>	<u>170,109</u>	<u>1,417,403</u>
Fund balance, end of year	<u>\$1,248,492</u>	<u>\$ 22,084</u>	<u>\$ 145,006</u>	<u>\$ 1,415,582</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2014

Exhibit F

Change in fund balances - total governmental funds **\$ (1,821)**

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 652,154	
Depreciation expense	<u>(347,723)</u>	304,431

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. (81,836)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 295,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	50,615	
Other postemployment benefits	<u>(360)</u>	50,255

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 729

Change in net position of governmental activities **\$ 566,758**

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2014

Exhibit G

	<u>Nonmajor Enterprise</u>
Assets	
Current assets	
Cash, cash equivalents	\$ 31,952
Accounts receivable	2,045
Due from other governments	654
Inventories	<u>7,320</u>
Total current assets	41,971
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>131,670</u>
Total assets	<u>173,641</u>
 Liabilities	
Current liabilities	
Salaries and benefits payable	<u>5,358</u>
 Net Position	
Investment in capital assets	131,670
Unrestricted	<u>36,613</u>
Total net position	<u>\$168,283</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

Exhibit H

Operating revenue	Nonmajor
Local sources	<u>Enterprise</u>
Charges for service	<u>\$407,189</u>
Operating expenses	
Instruction, regular	
Salaries	8,862
Benefits	1,312
Supplies	<u>7,943</u>
	<u>18,117</u>
Non-instructional programs	
Food service operations	
Salaries	96,526
Benefits	34,901
Purchased services	9,015
Supplies	229,758
Depreciation	<u>26,246</u>
	<u>396,446</u>
Preschool operations	
Salaries	187,669
Benefits	36,431
Supplies	<u>50,179</u>
	<u>274,279</u>
Total non-instructional programs	<u>670,725</u>
Total operating expenses	<u>688,842</u>
Operating (loss)	<u>(281,653)</u>
Non-operating revenues	
Interest income	401
State sources	32,940
Federal sources	<u>130,027</u>
Total non-operating revenues	<u>163,368</u>
Change in net position	(118,285)
Net position beginning of year	<u>286,568</u>
Net position end of year	<u>\$168,283</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

Exhibit I

	Nonmajor Enterprise
Cash flows from operating activities	
Cash received from sale of services	\$ 404,970
Cash payments to employees for services	(360,479)
Cash payments to suppliers for goods and services	(276,676)
Net cash (used in) operating activities	<u>(232,185)</u>
Cash flows from non-capital financing activities	
State grants received	32,940
Federal grants received	111,420
Net cash provided by non-capital financing activities	<u>144,360</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>401</u>
Net (decrease) in cash and cash equivalents	(87,424)
Cash and cash equivalents, beginning of year	119,376
Cash and cash equivalents, end of year	<u>\$ 31,952</u>
 Reconciliation of operating (loss) to net cash	
(used in) operating activities	
Operating (loss)	\$(281,653)
Adjustments to reconcile operating (loss) to	
net cash (used in) operating activities	
Depreciation	26,246
Commodities used	18,607
(Increase) in due from other governments	(654)
(Increase) in accounts receivable	(1,565)
Decrease in inventory	1,612
Increase in accrued salaries and benefits	5,222
Net cash (used in) operating activities	<u>\$(232,185)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014 the District received \$18,607 of federal commodities.

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 10,010
Liabilities	<u>-</u>
Net position	
Reserved for scholarships	<u>\$ 10,010</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2014

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Deductions	<u>-</u>
Change in net position	-
Net position beginning of year	<u>10,010</u>
Net position end of year	<u>\$10,010</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

Note 1. Summary of Significant Accounting Policies

The Danville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Danville, Iowa, and the agricultural territory in Des Moines and Henry Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Danville Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Danville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects – Statewide Sales, Services and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets from the revenue of the Statewide Sales, Services and Use Tax.

The District reports no major proprietary funds but has two nonmajor enterprise funds, the School Nutrition Fund which is used to account for the food service operations of the District and the Daycare & Preschool Fund which accounts for the operation of the District's daycare/preschool program.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund consists of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments- The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 1,000
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenses for services performed by hourly employees prior to June 30, 2014 and payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2014. The early retirement liability

attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and income surtaxes not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity - In the governmental fund financial statements, fund equity is classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$10,291 for physical plant and equipment, \$126,857 for student activities and \$22,084 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,485,833 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investment in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Service.

Note 3. Dues To and Due From Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Capital Projects	
General	Statewide Sales, Services and Use Tax	\$ 45,226

The Statewide Sales, Services and Use Tax Fund had a negative bank balance at June 30, 2014. Since that fund shares a bank account with the General Fund, the amount is reported as due to/due from other fund on the financial statements.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects	
Debt Service	Statewide Sales, Service and Use Tax	\$ 291,899

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The Statewide Sales, Services and Use Tax Fund transferred money to the Debt Service Fund to make principal and interest payments on long-term debt.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

<u>Governmental activities</u>	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 182,287	\$ -	\$ -	\$ 182,287
Construction in progress	-	351,151	-	351,151
Total capital assets, not being depreciated	<u>182,287</u>	<u>351,151</u>	<u>-</u>	<u>533,438</u>
Capital assets being depreciated:				
Buildings and improvements	9,985,382	5,528	-	9,990,910
Improvements other than buildings	425,142	148,243	-	573,385
Furniture and equipment	<u>1,919,338</u>	<u>147,232</u>	<u>-</u>	<u>2,066,570</u>
Total capital assets being depreciated	<u>12,329,862</u>	<u>301,003</u>	<u>-</u>	<u>12,630,865</u>
Less accumulated depreciation for:				
Buildings and improvements	2,567,563	196,218	-	2,763,781
Improvements other than buildings	268,835	16,880	-	285,715
Furniture and equipment	<u>1,564,723</u>	<u>134,625</u>	<u>-</u>	<u>1,699,348</u>
Total accumulated depreciation	<u>4,401,121</u>	<u>347,723</u>	<u>-</u>	<u>4,748,844</u>
Total capital assets being depreciated, net	<u>7,928,741</u>	<u>(46,720)</u>	<u>-</u>	<u>7,882,021</u>
Governmental activities capital assets, net	<u>\$ 8,111,028</u>	<u>\$ 304,431</u>	<u>\$ -</u>	<u>\$ 8,415,459</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 314,036	\$ -	\$ -	\$ 314,036
Less accumulated depreciation	<u>156,120</u>	<u>26,246</u>	<u>-</u>	<u>182,366</u>
Business type activities capital assets, net	<u>\$ 157,916</u>	<u>\$ (26,246)</u>	<u>\$ -</u>	<u>\$ 131,670</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 45,728
Special	2,911
Other	9,147
Support services	
Student support	686
Instructional staff support	345
Administration	2,835
Operation and maintenance of plant	32,020
Transportation	40,953
	<u>134,625</u>
Unallocated depreciation	<u>213,098</u>
Total governmental activities depreciation expense	<u>\$ 347,723</u>

Business type activities

Food services	<u>\$ 26,246</u>
---------------	------------------

Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 585,000	\$ -	\$ (195,000)	\$ 390,000	\$ 195,000
Revenue bonds	2,810,000	-	(100,000)	2,710,000	110,000
Termination benefits	203,411	41,721	(92,336)	152,796	50,352
Net OPEB liability	9,000	51,360	(51,000)	9,360	-
Totals	<u>\$ 3,607,411</u>	<u>\$ 93,081</u>	<u>\$ (438,336)</u>	<u>\$ 3,262,156</u>	<u>\$ 355,352</u>

Interest costs incurred and charged to expense on all long-term debt was \$83,556 for the year ended June 30, 2014.

Termination Benefits

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. Eligible employees must be at least fifty-five years of age and have completed fifteen years of consecutive service to the District. Employees must have completed an application, which was required to be approved by the Board of Education. Early retirement benefits are paid in a lump sum payment equal to 15% of the last year's salary. The District also

pays 95% of the retiree's medical and dental insurance premium until the retiree reaches age sixty-five. Early retirement benefits paid during the year ended June 30, 2014 totaled \$92,336 and the District had a total liability of \$152,796 payable to eight individuals at June 30, 2014.

Revenue Bonds

In August 2012, the District issued revenue anticipation bonds in the amount of \$2,810,000 to be used to pay off the 2007 issue and construct a safe room. The District has pledged future statewide sales, services and use tax revenues to repay this bond issue. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 45 percent of the statewide sales, services and use tax revenues.

The bond resolution does not require the establishment of any specific accounts or reserves. Details of the revenue anticipation bonded indebtedness at June 30, 2014 are as follows:

Year Ending June 30,	Bond issue of August 28, 2012			
	Interest Rates	Interest	Principal	Total
2015	1.35%	\$ 78,567	\$ 110,000	\$ 188,567
2016	1.55%	76,973	110,000	186,973
2017	1.75%	75,158	110,000	185,158
2018	1.95%	72,732	150,000	222,732
2019	2.35%	69,507	150,000	219,507
2020-2024	2.35-3.1%	327,524	810,000	1,137,524
2025-2029	3.2-3.7%	105,249	950,000	1,055,249
2030-2031	3.57-3.8%	<u>8,117</u>	<u>320,000</u>	<u>328,117</u>
Totals		<u>\$ 813,827</u>	<u>\$ 2,710,000</u>	<u>\$ 3,523,827</u>

Refunded General Obligation Bonds

On April 4, 2012, the District issued \$775,000 of general obligation bonds to refund the general obligation bond issue of April 1, 2004. On May 1, 2012 the remaining balance of \$930,000 of the 2004 issue was called and paid from the proceeds of the refunding general obligation bonds. This amount is considered to be extinguished and, therefore, excluded from the long-term debt of the District at June 30, 2014. This current refunding was undertaken to reduce total debt service payments over the next four years by \$46,282 and resulted in an economic gain of \$46,978.

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year	Bond Issue of April 1, 2012			
Ending	Interest			
<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	0.65%	\$ 195,000	\$ 2,827	\$ 197,827
2016	0.80%	<u>195,000</u>	<u>1,560</u>	<u>196,560</u>
Totals		<u>\$ 390,000</u>	<u>\$ 4,387</u>	<u>\$ 394,387</u>

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 5.95%, 5.78% and 5.38% of their annual covered salary and the District was required to contribute 8.93%, 8.67% and 8.07% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$328,953, \$291,715 and \$265,989, respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 64 active, including 46 employees who are ineligible, and 8 retired members in the plan. Participants must be age 57 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 50,000
Interest on net OPEB obligation	1,360
Adjustment to annual required contribution	<u>(1,000)</u>
Annual OPEB cost	50,360
Contributions made	<u>(50,000)</u>
Increase in net OPEB obligation	360
Net OPEB obligation beginning of year	<u>9,000</u>
Net OPEB obligation end of year	<u>\$ 9,360</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$50,000 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended <u>June 30,</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2010	\$ 8,000	0.0%	\$ 8,000
2011	8,087	0.0%	\$ 16,087
2012	8,081	0.0%	\$ 24,168
2013	49,832	130.4%	\$ 9,000
2014	50,360	99.3%	\$ 9,360

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$607,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$607,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.6 million and the ratio of UAAL to covered payroll was 17%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$186,967 adjusting entry to the cash basis financial statements.

Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate

grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 12. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	
Gifted and Talented	\$ 74,324
Four-year-old preschool state aid	100,161
Teacher salary supplement	9,602
Educator quality, professional development for model core curriculum	6,686
Educator quality, professional development	5,129
Teacher leadership	<u>264</u>
	<u>\$ 196,166</u>

Note 13. Construction in Progress

During the year ended June 30, 2014, the District began a project to construct a bus barn. The project was not completed at June 30, 2014 but the District had not entered into contracts in relation to this project. As of June 30, 2014, \$351,151 had been expended on the project, which is expected to be completed during the fall of 2014.

Note 14. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the State of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

DANVILLE COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 3,648,873	\$ 407,590	\$4,056,463	\$4,530,547	\$ 4,530,547	\$ (474,084)
State sources	3,347,652	32,940	3,380,592	2,826,040	2,826,040	554,552
Federal sources	347,376	130,027	477,403	235,000	235,000	242,403
Total revenues	<u>7,343,901</u>	<u>570,557</u>	<u>7,914,458</u>	<u>7,591,587</u>	<u>7,591,587</u>	<u>322,871</u>
Expenditures/Expenses						
Instruction	4,279,690	18,117	4,297,807	4,417,000	4,417,000	119,193
Support services	1,886,910	-	1,886,910	1,800,000	1,900,000	13,090
Non-instructional programs	2,611	670,725	673,336	827,500	827,500	154,164
Other expenditures	1,197,302	-	1,197,302	1,055,396	1,275,396	78,094
Total expenditures/expenses	<u>7,366,513</u>	<u>688,842</u>	<u>8,055,355</u>	<u>8,099,896</u>	<u>8,419,896</u>	<u>364,541</u>
(Deficiency) of revenues (under) expenditures/expenses	<u>(22,612)</u>	<u>(118,285)</u>	<u>(140,897)</u>	<u>(508,309)</u>	<u>(828,309)</u>	<u>687,412</u>
Net other financing sources	20,791	-	20,791	-	-	20,791
Net change in fund balance	(1,821)	(118,285)	(120,106)	(508,309)	(828,309)	708,203
Balance, beginning of year	1,417,403	286,568	1,703,971	1,474,640	1,474,640	229,331
Balance, end of year	<u>\$1,415,582</u>	<u>\$ 168,283</u>	<u>\$1,583,865</u>	<u>\$ 966,331</u>	<u>\$ 646,331</u>	<u>\$ 937,534</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures or expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing expenditures by \$320,000.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 88,000	\$ 88,000	\$ -	\$3,092,932	2.8%
2011	July 1, 2009	-	88,000	88,000	-	3,138,212	2.8%
2012	July 1, 2009	-	88,000	88,000	-	3,286,282	2.7%
2013	July 1, 2012	-	607,000	607,000	-	3,378,634	18.0%
2014	July 1, 2012	-	607,000	607,000	-	3,566,783	17.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects Physical Plant and Equipment</u>	<u>Debt Service</u>	<u>Total</u>
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>		
Assets					
Cash, cash equivalents & pooled investments	\$ 126,857	\$ 5,944	\$ 10,204	\$ 18,527	\$ 161,532
Receivables					
Property tax					
Delinquent	-	1,096	87	277	1,460
Succeeding year	-	174,000	37,773	83,312	295,085
Total assets	<u>\$ 126,857</u>	<u>\$ 181,040</u>	<u>\$ 48,064</u>	<u>\$ 102,116</u>	<u>\$ 458,077</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	<u>\$ -</u>	<u>\$ 2,496</u>	<u>\$ -</u>	<u>\$ 15,490</u>	<u>\$ 17,986</u>
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	<u>-</u>	<u>174,000</u>	<u>37,773</u>	<u>83,312</u>	<u>295,085</u>
Fund balances					
Restricted for					
Student activities	126,857	-	-	-	126,857
Management levy purposes	-	4,544	-	-	4,544
Physical plant and equipment	-	-	10,291	-	10,291
Debt service	-	-	-	3,314	3,314
Total fund balances	<u>126,857</u>	<u>4,544</u>	<u>10,291</u>	<u>3,314</u>	<u>145,006</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 126,857</u>	<u>\$ 181,040</u>	<u>\$ 48,064</u>	<u>\$ 102,116</u>	<u>\$ 458,077</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects</u>		
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Total</u>
Revenues					
Local sources					
Local taxes	\$ -	\$146,087	\$ 36,804	\$ 86,538	\$269,429
Other	214,472	-	-	-	214,472
State sources	-	94	24	56	174
Total revenues	<u>214,472</u>	<u>146,181</u>	<u>36,828</u>	<u>86,594</u>	<u>484,075</u>
Expenditures					
Current					
Instruction					
Regular	-	66,498	-	-	66,498
Other	<u>209,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,974</u>
Total instruction	<u>209,974</u>	<u>66,498</u>	<u>-</u>	<u>-</u>	<u>276,472</u>
Support services					
Administration	-	37,442	-	-	37,442
Operation and maintenance of plant	-	45,158	3,849	-	49,007
Transportation	-	<u>20,567</u>	<u>-</u>	<u>-</u>	<u>20,567</u>
Total support services	<u>-</u>	<u>103,167</u>	<u>3,849</u>	<u>-</u>	<u>107,016</u>
Non-instructional programs	<u>-</u>	<u>2,611</u>	<u>-</u>	<u>-</u>	<u>2,611</u>
Other expenditures					
Facilities acquisition	-	-	35,693	-	35,693
Long-term debt					
Principal	-	-	-	295,000	295,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,285</u>	<u>84,285</u>
Total other expenditures	<u>-</u>	<u>-</u>	<u>35,693</u>	<u>379,285</u>	<u>414,978</u>
Total expenditures	<u>209,974</u>	<u>172,276</u>	<u>39,542</u>	<u>379,285</u>	<u>801,077</u>
Excess (deficiency) of revenues over (under) expenditures	4,498	(26,095)	(2,714)	(292,691)	(317,002)
Other financing sources					
Interfund operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,899</u>	<u>291,899</u>
Change in fund balances	4,498	(26,095)	(2,714)	(792)	(25,103)
Fund balances, beginning of year	<u>122,359</u>	<u>30,639</u>	<u>13,005</u>	<u>4,106</u>	<u>170,109</u>
Fund balances, end of year	<u>\$126,857</u>	<u>\$ 4,544</u>	<u>\$ 10,291</u>	<u>\$ 3,314</u>	<u>\$145,006</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014

Schedule 3

	<u>School Nutrition</u>	<u>Daycare & Preschool</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 25,825	\$ 6,127	\$ 31,952
Accounts receivable	-	2,045	2,045
Due from other governments	-	654	654
Inventories	7,320	-	7,320
Total current assets	33,145	8,826	41,971
Noncurrent assets			
Capital assets, net of accumulated depreciation	131,670	-	131,670
Total assets	<u>164,815</u>	<u>8,826</u>	<u>173,641</u>
Liabilities			
Current liabilities			
Salaries and benefits payable	-	5,358	5,358
Net Position			
Investment in capital assets	131,670	-	131,670
Unrestricted	33,145	3,468	36,613
Total net position	<u>\$164,815</u>	<u>\$ 3,468</u>	<u>\$168,283</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

Schedule 4

	<u>School</u> <u>Nutrition</u>	<u>Daycare &</u> <u>Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$234,002	\$173,187	\$407,189
Operating expenses			
Instruction			
Regular			
Salaries	-	8,862	8,862
Benefits	-	1,312	1,312
Supplies	-	7,943	7,943
	-	18,117	18,117
Non-instructional programs			
Salaries	96,526	187,669	284,195
Benefits	34,901	36,431	71,332
Purchased services	9,015	-	9,015
Supplies	229,758	50,179	279,937
Depreciation	26,246	-	26,246
	396,446	274,279	670,725
Total operating expenses	396,446	292,396	688,842
Operating (loss)	(162,444)	(119,209)	(281,653)
Non-operating revenue			
Interest income	401	-	401
State sources	2,940	30,000	32,940
Federal sources	130,027	-	130,027
Total non-operating revenue	133,368	30,000	163,368
Change in net position	(29,076)	(89,209)	(118,285)
Net position beginning of year	193,891	92,677	286,568
Net position end of year	\$164,815	\$ 3,468	\$168,283

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

Schedule 5

	<u>School</u> <u>Nutrition</u>	<u>Daycare &</u> <u>Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 234,002	\$ 170,968	\$ 404,970
Cash payments to employees for services	(131,427)	(229,052)	(360,479)
Cash payments to suppliers for goods and services	(218,554)	(58,122)	(276,676)
Net cash (used in) operating activities	<u>(115,979)</u>	<u>(116,206)</u>	<u>(232,185)</u>
Cash flows from non-capital financing activities			
State grants received	2,940	30,000	32,940
Federal grants received	111,420	-	111,420
Net cash provided by non-capital financing activities	<u>114,360</u>	<u>30,000</u>	<u>144,360</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest on investments	401	-	401
Net (decrease) in cash and cash equivalents	(1,218)	(86,206)	(87,424)
Cash and cash equivalents, beginning of year	27,043	92,333	119,376
Cash and cash equivalents, end of year	<u>\$ 25,825</u>	<u>\$ 6,127</u>	<u>\$ 31,952</u>

**Reconciliation of operating (loss) to net cash
(used in) operating activities**

Operating (loss)	\$ (162,444)	\$(119,209)	\$(281,653)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities			
Depreciation	26,246	-	26,246
Commodities used	18,607	-	18,607
(Increase) in due from other governments	-	(654)	(654)
(Increase) in accounts receivable	-	(1,565)	(1,565)
Decrease in inventory	1,612	-	1,612
Increase in accrued salaries and benefits	-	5,222	5,222
Net cash (used in) operating activities	<u>\$ (115,979)</u>	<u>\$(116,206)</u>	<u>\$(232,185)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014 the District received \$18,607 of federal commodities.

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
For the Year Ended June 30, 2014

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Athletics	\$ 9,186	\$ 84,106	\$ 75,404	\$ (1,464)	\$ 16,424
Class of:					
2013	572	-	-	-	572
2014	1,685	1,068	2,746	-	7
2015	1,458	8,139	7,160	300	2,737
2016	1,043	-	221	-	822
2017	650	-	74	-	576
2018	774	-	-	-	774
2019	286	-	-	-	286
2020	134	2,972	2,381	-	725
2021	-	570	80	-	490
Playground equipment fund	13,562	-	-	-	13,562
Book clubs	2,065	1,129	1,359	124	1,959
Book fair	252	3,555	3,424	-	383
Jump Rope for Heart	726	-	88	-	638
Kindergarten workshop	62	-	-	-	62
Elementary school store	717	486	773	60	490
Speech	(1,548)	7,706	6,161	1,548	1,545
National Honor Society	126	-	85	-	41
Drama	2,953	5,353	4,438	-	3,868
Performing arts	-	8,463	5,525	-	2,938
Cheerleaders	1,851	6,357	8,825	618	1
Volleyball camp	500	3,655	3,005	-	1,150
SCI program	61	-	-	-	61
S.A.D.D.	378	1,139	611	-	906
Rachel's challenge	-	334	316	-	18
Math/Science	217	-	-	-	217
High school student council	335	901	955	-	281
Jr high student council	7,564	5,655	5,244	-	7,975
Boys basketball camp	19,801	26	8,854	(129)	10,844
Girls basketball camp	2,711	-	570	-	2,141
Football camp	3,997	8,059	5,951	-	6,105

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
For the Year Ended June 30, 2014

Schedule 6

Account	Balance, End of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Band	\$ 1,647	\$ 3,862	\$ 3,138	\$ -	\$ 2,371
Baseball camp	5,605	770	6,190	-	185
Soccer camp	489	-	373	-	116
Softball camp	2,415	141	2,556	-	-
Golf camp	199	-	-	-	199
Vocal music	-	14,824	12,312	-	2,512
Girls Track Camp	742	1,004	1,746	-	-
Boys Track Camp	497	12	509	-	-
Cross Country Camp	434	-	399	432	467
Swing choir	5,737	11,924	11,708	-	5,953
Music trip	2,255	-	-	-	2,255
High school pop	761	2,130	1,856	119	1,154
School store	392	50	-	-	442
Seniors, Inc.	544	-	-	-	544
Shop	426	1,510	1,936	-	-
FHA	895	962	453	-	1,404
Mass media	145	-	-	-	145
Yearbook	15,649	18,455	13,118	-	20,986
Student pictures	5,996	7,777	9,055	(60)	4,658
General	-	375	375	-	-
Interest	5,413	1,003	-	(1,548)	4,868
Totals	<u>\$ 122,359</u>	<u>\$ 214,472</u>	<u>\$ 209,974</u>	<u>\$ -</u>	<u>\$ 126,857</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	Modified Accrual Basis									
Revenues										
Local sources										
Local tax	\$2,171,059	\$ 2,486,060	\$ 2,405,469	\$ 1,659,508	\$ 2,249,708	\$ 2,233,216	\$ 2,024,587	\$ 1,953,149	\$ 1,832,358	\$ 1,780,361
Tuition	1,170,744	1,139,800	1,026,355	966,172	911,539	845,859	767,684	781,249	643,369	678,983
Other	307,070	450,155	346,590	89,192	317,562	612,614	481,091	425,441	344,940	417,235
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	3,347,652	2,770,691	2,698,260	2,639,034	2,284,658	2,501,373	2,315,717	2,117,637	1,961,839	1,916,794
Federal sources	347,376	750,990	289,971	192,685	332,164	200,385	96,700	132,810	106,887	124,608
Total revenues	<u>\$7,343,901</u>	<u>\$ 7,597,696</u>	<u>\$ 6,766,645</u>	<u>\$ 5,546,591</u>	<u>\$ 6,095,631</u>	<u>\$ 6,393,447</u>	<u>\$ 5,685,779</u>	<u>\$ 5,410,286</u>	<u>\$ 4,889,393</u>	<u>\$ 4,917,981</u>
Expenditures										
Current										
Instruction										
Regular	\$2,790,855	\$ 2,614,199	\$ 2,553,472	\$ 2,397,556	\$ 2,214,875	\$ 2,235,011	\$ 2,036,743	\$ 2,086,631	\$ 1,865,099	\$ 1,889,528
Special	586,562	569,396	546,587	482,505	508,345	605,173	517,915	448,713	420,957	363,474
Other	902,273	1,039,647	916,645	649,798	860,385	868,077	813,557	659,862	685,825	731,195
Support services										
Student	88,173	93,367	85,712	75,391	95,210	100,793	47,818	48,862	52,108	76,134
Instructional staff	150,611	174,841	203,136	143,759	149,623	136,390	94,265	91,944	84,790	106,076
Administration	697,799	673,854	587,330	573,839	651,705	720,378	745,808	757,273	658,129	534,728
Operation and maintenance of plant	540,379	462,670	468,489	368,331	377,049	446,315	409,666	411,073	402,703	382,867
Transportation	409,948	309,205	308,040	246,467	310,966	233,533	237,115	255,363	245,424	226,894
Central support services	-	-	-	-	-	-	-	-	-	-
Non-instructional programs	2,611	-	2,493	-	2,769	-	6,000	2,428	2,417	104,342
Other expenditures										
Facilities acquisition	631,050	2,469,244	232,483	-	114,056	135,013	1,263,233	264,709	99,475	361,119
Long-term debt										
Principal	295,000	1,241,000	1,060,000	-	290,000	350,000	340,000	390,000	370,000	315,000
Interest and other charges	84,285	65,271	105,209	-	108,658	121,204	133,813	151,306	150,857	121,852
AEA flowthrough	186,967	176,922	175,344	192,325	187,870	166,971	148,917	143,392	129,431	126,367
Total expenditures	<u>\$7,366,513</u>	<u>\$ 9,889,616</u>	<u>\$ 7,244,940</u>	<u>\$ 5,129,971</u>	<u>\$ 5,871,511</u>	<u>\$ 6,118,858</u>	<u>\$ 6,794,850</u>	<u>\$ 5,711,556</u>	<u>\$ 5,167,215</u>	<u>\$ 5,339,576</u>

See accompanying Independent Auditor's Report.

Kay L. Chapman, CPA PC

116 Harrison Street
Muscatine, Iowa 52761
563-264-1385
kchapman@cpakay.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Danville Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Danville Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 11, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Danville Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Danville Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Danville Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I

consider the deficiencies described in Part I of the accompanying Schedule of Findings as items A, B and C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Danville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Danville Community School District's Responses to Findings

Danville Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Danville Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Danville Community School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 11, 2015

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2014

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performs the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We have developed an action plan to improve internal controls and the segregation of duties beginning in the fiscal year ending June 30, 2014.

Conclusion - Response accepted.

- B. Student Activity Accounting - There were several areas where internal controls were either inadequate or not followed in the accounting system of the Student Activity Fund. The following is a list of problem areas noted:
- Not all checks were approved by the Board of Education prior to their release
 - Not all invoices contained indication that they were approved for payment by a properly authorized administrator
 - Bank reconciliations had not been prepared for all months
 - Voided checks were not all properly voided and maintained to account for check sequence
 - Check #28023 dated January 9, 2014 cleared the bank without bearing the Board Secretary's signature
 - Checks #28377 and #28375 dated June 19, 2014 cleared the bank without bearing any authorized signatures

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2014

Recommendation - The District should review their internal controls for the Student Activity Fund. The District should also ensure that all controls are followed by all district personnel.

Response - We will review our policies, procedures and controls for the Student Activity Fund and make changes as we deem necessary to improve the accounting system.

Conclusion - Response accepted.

- C. Bank Reconciliation - Bank reconciliation for the District's general operating account was not completed and reconciled to the cash in bank amounts reported in the accounting system at June 30, 2014.

Recommendation - All bank accounts should be reconciled and compared/reconciled to the amount of cash in bank reported in the accounting system every month. Any discrepancies between the reconciled bank balance and the book balance should be resolved timely. I recommend that the District use the bank reconciliation feature of the accounting software to prepare the bank reconciliations, instead of manually reconciling the bank accounts, as had been done previously. This will help ensure that any variances or discrepancies are resolved and entered into the accounting record.

Response - This was a result of change personnel at year-end. Our board secretary of many years retired and we moved another employee into the position from her current position with the District. Due to the timing of the board secretary's retirement, there was little time for her to train her replacement. As a result, the transition was not a smooth one. As the replacement board secretary gets settled into the position, we are hopeful that situations like this will no longer happen.

Conclusion - Response accepted.

Part II. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

DANVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

For the Year Ended June 30, 2014

4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - One variance in the basic enrollment data certified to the Iowa Department of Education was noted. One resident student was omitted on the count reported to the Iowa Department of Education.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this issue.

Response - We have contacted both the Iowa Department of Education and Iowa Department of Management regarding this issue.

Conclusion - Response accepted.

8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2014

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	355,414
Revenues			
Statewide sales and services tax revenue	\$	445,349	
Other local revenues		20,238	
Federal revenues		188,216	
Sale of materials and equipment		<u>350</u>	654,153
Expenditures/transfers out			
School infrastructure			
School infrastructure construction	\$	595,357	
Equipment		100,227	
Debt service for school infrastructure			
Revenue debt		<u>291,899</u>	<u>987,483</u>
Ending balance			<u>\$ 22,084</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

DANVILLE COMMUNITY SCHOOL DISTRICT

Audit Staff

June 30, 2014

This audit was performed by

Kay Chapman, CPA

Terri Slater, staff accountant